

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

Nitto World Co., Limited
and subsidiary undertakings

Financial statements for the year ended 30 June 1994
together with directors' and auditors' reports

Registered number: 2124389



Directors' report

For the year ended 30 June 1994

The directors present their report on the affairs of the group together with the financial statements and auditors' report for the year ended 30 June 1994.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and business review

The principal activities of the group are Nitto World Co., Limited's ownership and management of the Turnberry Hotel and Golf Courses, Nitto Albion's operation of The Oxfordshire Golf Club in the South of England and the provision of finance to members of The Oxfordshire Golf Club through Nitto (Oxfordshire) Limited.

The group incurred an operating loss in the year of £3,795,057 (1993 - £16,324,713). The 1993 results were impacted by an exceptional loss on exchange movements of £13,669,320. Exchange movements resulted in a £1,478,822 loss in the current year.

Results and dividends

The turnover for the year was £8,029,414 (1993 - £5,505,380) and the loss on ordinary activities before taxation was £7,059,564 (1993 - loss £18,306,319). The directors recommend that the loss be transferred to reserves and that the accumulated deficit be carried forward.

No dividend is proposed (1993 - ENIL).

Directors' report (continued)

Directors and their interests

The directors of the company during the year were:

T. Niino
A. McMillan
H. Matsuura
K. Nakamura
T. Matsuura
M. Kayanuma
K. Ohtsuka
C. J. Rouse

No director had a beneficial interest in the shares of the company or group at any time during the year.

Fixed assets

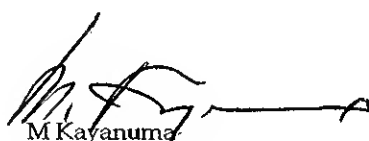
Information relating to changes in tangible fixed assets is given in note 9 to the financial statements.

Auditors

A resolution will be submitted at the annual general meeting proposing the re-appointment of Arthur Andersen, Chartered Accountants, as auditors for the ensuing year and authorising the Directors to fix their remuneration.

Rycote Lane
Milton Common
Thame
Oxfordshire
OX9 2PU

By order of the Board,



M Kayanuma

Director

22 February 1995

Auditors' report

Glasgow

To the Shareholders of Nitto World Co., Limited:

We have audited the financial statements on pages 5 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We draw attention to the group's net liability position of £10,981,702 as at 30 June 1994. The group has received a letter confirming the continuation of financial support from an intermediate holding company, Nitto Kogyo Co., Limited to sustain its future operations. However, we have been unable to obtain the necessary financial information to assess the financial position of Nitto Kogyo Co., Limited and accordingly we are unable to form a view on whether it has the resources to provide any necessary financial support. In the event that Nitto Kogyo Co., Limited is unable to provide any financial assistance required by the group the going concern basis may not be applicable and adjustments may be necessary to write down fixed assets to recoverable amounts and to provide for any additional liabilities that may arise.

Auditors' report (continued)

Opinion

Except for any adjustments that may arise from Nitto Kogyo Co., Limited being unable to provide the necessary financial support to the Group, in our opinion the financial statements give a true and fair view of the state of the affairs of the company and of the group at 30 June 1994 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, reading "Arthur Andersen". The signature is written in a cursive, flowing style with a large initial 'A'.

Arthur Andersen

Chartered Accountants and Registered Auditors

199 St Vincent Street
Glasgow
G2 5QD

22 February 1995

Consolidated profit and loss account

For the year ended 30 June 1994

	Notes	1994 £	1993 £
Turnover	2	8,029,414	5,505,380
Cost of sales		(4,305,861)	(3,480,622)
Gross profit		3,723,553	2,024,758
Other operating expenses (net)	3	(7,363,691)	(18,349,471)
Operating loss		(3,640,138)	(16,324,713)
Investment income	4	336,420	267,775
Interest payable and similar charges	5	(3,755,846)	(2,249,381)
Loss on ordinary activities before taxation	6	(7,059,564)	(18,306,319)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	17	(7,059,564)	(18,306,319)
Loss for the financial year			
The company		(3,495,201)	(11,751,637)
Subsidiary undertakings		(3,564,363)	(6,554,682)
		(7,059,564)	(18,306,319)

The accompanying notes are an integral part of this profit and loss account.

The group has had no recognised gains or losses other than those above, therefore, a statement of total recognised gains and losses has not been prepared. In addition, a note of historical cost profits and losses is not required.

Consolidated balance sheet

30 June 1994

	Notes	1994 £	1993 £
Fixed assets			
Tangible assets	9	55,823,837	54,379,040
Current assets			
Stocks	11	438,764	304,894
Debtors: Amounts falling due within one year	12	2,824,145	2,479,904
Debtors: Amounts falling due after more than one year	12	2,101,235	2,182,180
Cash at bank and in hand		5,877,190	3,999,169
		<u>11,241,334</u>	<u>8,966,147</u>
Creditors: Amounts falling due within one year	13	(47,679,780)	(33,410,369)
Net current liabilities		<u>(36,438,446)</u>	<u>(24,444,222)</u>
Total assets less current liabilities		19,385,391	29,934,818
Creditors: Amounts falling due after more than one year	14	(30,366,483)	(33,856,346)
Net liabilities		<u>(10,981,092)</u>	<u>(3,921,528)</u>
Capital and reserves			
Called-up share capital	16	8,900,000	8,900,000
Share premium account	17	9,757,890	9,757,890
Profit and loss account	17	(29,639,332)	(22,579,768)
Shareholders funds		<u>(10,981,442)</u>	<u>(3,921,878)</u>
Minority interests		350	350
Total capital absorbed		<u>(10,981,792)</u>	<u>(3,921,528)</u>


Signed on behalf of the Board

M. Kayanuma

Director

22 February 1995

The accompanying notes are an integral part of this balance sheet.

Company only balance sheet

30 June 1994

	Notes	1994 £	1993 £
Fixed assets			
Tangible assets	9	34,321,161	33,678,222
Investments	10	1,103,152	652
		<u>35,424,313</u>	<u>33,678,874</u>
Current assets			
Stocks	11	342,578	272,649
Debtors: Amounts falling due within one year	12	3,854,854	1,582,412
Debtors: Amounts falling due after more than one year	12	1,959,235	1,870,180
Cash at bank and in hand		754,856	908,808
		<u>6,911,523</u>	<u>4,634,049</u>
Creditors: Amounts falling due within one year	13	(33,798,354)	(14,520,247)
Net current liabilities		<u>(26,886,831)</u>	<u>(9,886,198)</u>
Total assets less current liabilities		<u>8,382,563</u>	<u>23,792,676</u>
Creditors: Amounts falling due after more than one year	14	(9,201,414)	(20,961,407)
Net (liabilities)/assets		<u>(663,932)</u>	<u>2,831,269</u>
Capital and reserves			
Called-up share capital	16	8,900,000	8,900,000
Share premium account	17	9,757,890	9,757,890
Profit and loss account	17	(19,321,822)	(15,826,621)
Total capital (absorbed)/employed		<u>(663,932)</u>	<u>2,831,269</u>

 Signed on behalf of the Board

M. Kayanuma

Director

22 February 1995

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the period ended 30 June 1993

	Notes	1994 £	1993 £
Net cash outflow from operating activities	18a)	(471,376)	(3,678,703)
Returns on investments and servicing of finance			
Interest received		218,465	180,845
Interest paid		(4,009,208)	(1,779,969)
Net cash outflow from returns on investments and servicing of finance		(3,790,743)	(1,599,124)
Investing activities			
Purchase of tangible fixed assets		(3,089,771)	(12,141,246)
Net cash outflow from investing activities		(3,089,771)	(12,141,246)
Net cash outflow before financing		(7,351,890)	(17,419,073)
Financing	18d)		
New intercompany loans		7,843,000	6,052,703
New bank loans		5,000,000	13,157,333
Repayment of bank loans		(9,397,211)	-
Subscription of debentures and deposit based memberships		6,233,059	-
Movement on finance lease obligations		117,450	129,890
Net cash inflow from financing		9,796,298	19,339,926
Increase in cash and cash equivalents	18c)	2,444,408	1,920,853

The accompanying notes are an integral part of this cash flow statement.

Notes to financial statements

30 June 1994

1 Statement of accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its wholly owned subsidiary undertakings, whose accounting periods are coterminous with that of the parent company.

In the company's accounts, investments in subsidiary undertakings are stated at cost.

No profit and loss account is presented for Nitto World Co., Limited as provided by s230 of the Companies Act 1985.

c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation as set out in note 9. Cost includes incidental acquisition expenses and interest incurred on projects during the period of development. Interest was capitalised gross, before deduction of related tax relief.

No depreciation is provided on certain freehold land and buildings as the directors are of the opinion that given the high level of expenditure on general maintenance, the length of lives and residual values of these buildings are such that no provision for depreciation is required. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis using the following annual rates which are based on the expected useful economic lives of the assets:

Freehold land and buildings	2%
Motor vehicles	25%
Plant and equipment	10% to 50%
Fixtures and fittings	20%

d) Investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for temporary fluctuations in value if material. Income is included in the consolidated accounts of the year in which it is receivable.

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes to financial statements (continued)

1 Statement of accounting policies (continued)

f) Foreign currency

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in sterling at exchange rates as of the date of the transaction or the average exchange rate for the year. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover is stated at the invoiced value of goods and services provided, exclusive of VAT and net of discounts granted.

h) Leases

The company has entered into operating and finance leases as described in note 19.

Assets acquired under finance leases are initially reported at the fair value of the asset with an equivalent obligation categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Obligations related to finance leases represent the total of the minimum lease payments outstanding at the date of the balance sheet. Future finance charges are not included. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the year and future commitments is given in note 19.

i) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated on the liability method.

Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

j) Pension contributions

The group operates a defined benefits pension scheme. Pension contributions are charged to the profit and loss account on the basis of spreading the cost of providing pensions over the period of employees' services to the company. Further information on pension costs is provided in note 19.

Notes to financial statements (continued)

2 Segment information

In the opinion of the directors the group has only one market segment and thus no segmental analysis of operation or net assets is provided.

3 Other operating expenses

	1994 £	1993 £
Selling and marketing costs	1,325,492	555,370
Administrative expenses	4,708,482	4,140,459
Other expense/(income)	5,814	(15,678)
Loss on exchange movements	1,478,822	13,669,320
	<u>7,518,610</u>	<u>18,349,471</u>

4 Investment income

Investment income comprises:

	1994 £	1993 £
Interest receivable and similar income	<u>336,420</u>	<u>267,775</u>

£108,257 of the interest receivable and similar income in the year ended 30 June 1994 arose on release of the debenture monies held in a stakeholder account to Nitto Albion plc.

Notes to financial statements (continued)

5 Interest payable and similar charges

	1994 £	1993 £
On loan from parent company:		
- repayable within five years, not by instalments	455,738	912,810
On bank loans		
- repayable within 5 years, not by instalments	3,244,857	2,600,673
Other charges	55,251	-
	<u>3,755,846</u>	<u>3,513,483</u>
Interest capitalised	-	(1,264,102)
	<u>3,755,846</u>	<u>2,249,381</u>

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation for the year is stated after charging:

	1994 £	1993 £
Depreciation	972,261	566,589
Auditors' remuneration	39,000	32,000
Staff costs (Note 8)	3,902,587	3,295,062
Hire of plant and machinery		
- under operating leases	72,626	69,278
Exchange loss arising principally on the translation of loans denominated in foreign currencies	<u>1,478,822</u>	<u>13,669,320</u>

Fees paid to the auditors for non audit services provided during the year amounted to £175,000 (1993 - £75,000).

7 Taxation

No charge to corporation tax arises on the results for the year due to trading losses incurred.

8 Staff costs

Particulars of employees are as shown below:

	1994 £	1993 £
Employee costs during the year amounted to:		
Wages and salaries	3,554,567	2,741,907
Social security costs	263,022	273,826
Other pension costs	84,998	77,808
Other employee related costs	-	201,521
	<u>3,902,587</u>	<u>3,295,062</u>

Notes to financial statements (continued)

8 Staff costs (continued)

The average weekly number of persons employed by the group during the year was as follows:

	1994 Number	1993 Number
Office and management	243	221
Casual	45	35
	<u>288</u>	<u>256</u>

Directors' remuneration

Directors' remuneration was paid in respect of directors of the company as follows:

	1994 £	1993 £
Fees	<u>194,300</u>	<u>218,194</u>

The directors remuneration shown above (excluding pension and pension contributions) included:

	1994 £	1993 £
Highest paid director	<u>93,565</u>	<u>124,381</u>

The Chairman was remunerated by another group company.

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1994 Number	1993 Number
Up to £ 5,000	5	5
£ 40,001 - £ 45,000	-	1
£ 45,001 - £ 50,000	1	-
£ 50,001 - £ 55,000	1	1
£ 90,001 - £ 95,000	1	-
£120,001 - £ 125,000	-	1
	<u>-</u>	<u>1</u>

Notes to financial statements (continued)

9 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Freehold land and buildings	53,222,831	51,805,411	32,839,449	31,910,410
Plant and equipment	1,754,316	2,050,694	1,481,712	1,767,812
Fixtures and fittings	846,690	522,935	-	-
Net tangible fixed assets	<u>55,823,837</u>	<u>54,379,040</u>	<u>34,321,161</u>	<u>33,678,222</u>

a) The movement in the year was as follows:

Group	Freehold land and buildings £	Plant & equipment £	Fixtures & fittings £	Total £
Cost				
Beginning of year	51,811,216	3,822,008	572,260	56,205,484
Additions	<u>1,610,653</u>	<u>254,116</u>	<u>552,289</u>	<u>2,417,058</u>
End of year	<u>53,421,869</u>	<u>4,076,124</u>	<u>1,124,549</u>	<u>58,622,542</u>
Depreciation				
Beginning of year	5,805	1,771,314	49,325	1,826,444
Charge	<u>193,233</u>	<u>550,494</u>	<u>228,534</u>	<u>972,261</u>
End of year	<u>199,038</u>	<u>2,321,808</u>	<u>277,859</u>	<u>2,798,705</u>
Net book value				
End of year	<u>53,222,831</u>	<u>1,754,316</u>	<u>846,690</u>	<u>55,823,837</u>
Net book value				
Beginning of year	<u>51,805,411</u>	<u>2,050,694</u>	<u>522,935</u>	<u>54,379,040</u>

Plant and equipment includes £209,813 (1993 - £213,414) of assets at net book value held under finance leases.

Additions to freehold land and buildings include interest capitalised for the year amounting to £Nil (1993 - £1,264,102) on capital borrowed to finance construction projects. Cumulative interest capitalised within freehold land and buildings amounts to £2,478,407.

Notes to financial statements (continued)

9 Tangible fixed assets (continued)

Included with fixed assets are £44,061,648 (1993 - £51,506,698) of freehold land and buildings which are not depreciated. Of this £11,222,199 relates to freehold land and associated improvements associated with The Oxfordshire Golf Club. Prior to the opening of the Club, freehold land and associated improvements amounting £19,596,285 at 30 June 1993 were not depreciated. Recovery of the development costs incurred on The Oxfordshire Golf Club is dependent upon the successful operation of the Club.

b) The movement in the year was as follows:

Company	Freehold land & buildings £	Plant & equipment £	Total £
Cost			
Beginning of year	31,910,410	3,504,434	35,414,844
Additions	929,039	194,662	1,123,701
End of year	<u>32,839,449</u>	<u>3,699,096</u>	<u>36,538,545</u>
Depreciation			
Beginning of year	-	1,736,622	1,736,622
Charge	-	480,762	480,762
End of year	<u>-</u>	<u>2,217,384</u>	<u>2,217,384</u>
Net book value			
End of year	<u>32,839,449</u>	<u>1,481,712</u>	<u>34,321,161</u>
Net book value			
Beginning of year	<u>31,910,410</u>	<u>1,767,812</u>	<u>33,678,222</u>

Plant and equipment includes £168,892 (1993 - £154,919) of assets at net book value held under finance leases.

Included within fixed assets are £32,839,449 (1993 - £31,910,410) of freehold land and buildings which are not depreciated.

Notes to financial statements (continued)

10 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Company	
	1994 £	1993 £
Subsidiary undertakings	652	652
Debentures	1,102,500	-
	<u>1,103,152</u>	<u>652</u>

The debentures represents memberships in The Oxfordshire Golf Club purchased during the year.

The parent company and its subsidiaries have investments in the following subsidiary undertakings:

	Country of registration	Principal activity & country of operation	Description & proportion of shares held
Nitto Albion plc	England	Operation of The Oxfordshire Golf Club	100% ordinary share capital
Nitto (Oxfordshire) Limited	England	Providing finance for purchase of memberships of The Oxfordshire Golf Club	100% ordinary share capital
Calveraction plc	England	Non-trading	100% ordinary share capital
Nitto-Alfred McAlpine Limited	England	Non-trading	65% ordinary share capital

Investment in subsidiary undertakings:

	Company	
	1994 £	1993 £
Cost and net book value		
Beginning and end of year	<u>652</u>	<u>652</u>

Notes to financial statements (continued)

11 Stocks

The following are included in stocks:

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Glass, crockery and silverware	140,977	120,865	140,977	120,865
Food and beverage	143,118	87,323	116,335	87,323
Other	154,669	96,706	85,266	64,461
	<u>438,764</u>	<u>304,894</u>	<u>342,578</u>	<u>272,649</u>

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

12 Debtors

The following are included in debtors:

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	1,922,922	625,513	435,766	313,513
Prepayments and accrued income	260,542	770,514	238,375	255,354
VAT	-	623,533	-	24,270
Amounts due from other group undertakings	638,347	454,843	3,179,171	989,275
Other debtors	2,334	5,501	1,542	-
	<u>2,824,145</u>	<u>2,479,904</u>	<u>3,854,854</u>	<u>1,582,412</u>
Amounts falling due after more than one year:				
Amounts due from other group undertakings	1,959,235	1,870,180	1,959,235	1,870,180
Other debtors	142,000	312,000	-	-
	<u>2,101,235</u>	<u>2,182,180</u>	<u>1,959,235</u>	<u>1,870,180</u>

The amounts due from group undertakings, after more than one year, represent loans on which interest is charged at 6% per annum.

Notes to financial statements (continued)

13 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Trade creditors	828,597	1,782,608	314,779	314,088
Amounts due to other group undertakings	16,118,767	6,016,440	8,434,553	2,730,177
Current portion of finance lease obligations	80,538	87,272	66,802	66,551
Accruals and deferred income	2,023,299	1,675,057	1,449,279	1,385,921
Other creditors				
- VAT	75,161	-	174,787	-
Bank overdraft	86,021	652,408	-	-
Bank loans	28,467,397	23,196,584	23,358,154	10,023,510
	<u>47,679,780</u>	<u>33,410,369</u>	<u>33,798,354</u>	<u>14,520,247</u>

14 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Loans due to other group undertakings (see below)	3,852,581	5,333,654	-	-
Bank loans (see below)	20,185,436	28,396,550	9,129,719	20,873,039
Obligations under finance leases (see below)	95,407	126,142	71,695	88,368
Debentures and deposit based memberships	6,233,059	-	-	-
	<u>30,366,483</u>	<u>33,856,346</u>	<u>9,201,414</u>	<u>20,961,407</u>

Notes to financial statements (continued)

14 Creditors: Amounts falling due after more than one year (continued)

Analysis of borrowings

Borrowings are repayable as follows:

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Due within five years				
Within 1 year				
- group undertakings	12,264,620	2,808,707	6,256,814	726,959
- bank	28,467,397	23,196,584	23,358,154	10,023,510
- finance leases	80,538	87,272	66,802	66,551
Within 1-2 years				
- group undertakings	1,602,351	-	-	-
- bank	17,355,829	14,666,142	9,129,719	12,158,306
- finance leases	65,975	87,272	52,239	66,551
Within 2-5 years				
- group undertakings	2,250,230	5,333,654	-	-
- bank	2,789,607	13,730,408	-	8,714,733
- finance leases	29,432	38,870	19,456	21,817
	64,905,979	59,948,909	38,883,184	31,778,427
Due otherwise than by instalments after five years				
- debentures and deposit based memberships	6,233,059	-	-	-
Total borrowings	71,139,038	59,948,909	38,883,184	31,778,427

Amounts payable within one year are included in creditors falling due within one year.

Interest on group and company loans from other group undertakings is charged at between 3.5% and 5% per annum.

Of the group loans from other group undertakings £2,627,257 (1993 - £2,808,707) were denominated in Japanese Yen and £194,363 in US dollars. Of the company loans from other group undertakings £656,814 (1993 - £626,959) were denominated in Japanese Yen.

Interest on group bank loans is charged between 2.6625% and 8.2% per annum. Interest on company bank loans is charged between 5.9125% and 8.9% per annum.

Of the group bank loans £23,908,042 (1993 - £37,554,857) are denominated in Japanese Yen. Of the company bank loans £20,295,564 (1993 - £26,896,549) were denominated in Japanese Yen.

All of the group and company bank loans are guaranteed by an intermediate holding company, Nitto Kogyo Co., Limited.

Notes to financial statements (continued)

15 Deferred taxation

No deferred taxation has been provided by the group and company at 30 June 1994 (1993 - £Nil) because the directors have concluded, on the basis of reasonable assumptions and the intentions of management that it is improbable that any liability will crystallise due to significant brought forward tax losses.

16 Called-up share capital

	1994 £	1993 £
<i>Authorised</i>		
96,800 ordinary shares of £100 each	9,680,000	9,680,000
<i>Allotted, called-up and fully-paid</i>		
89,000 ordinary shares of £100 each (1993 - 89,000)	8,900,000	8,900,000

17 Reserves

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Non-distributable				
- profit and loss account	(29,639,332)	(22,579,768)	(19,321,822)	(15,826,621)
- share premium account	9,757,890	9,757,890	9,757,890	9,757,890
	(19,881,442)	(12,821,878)	(9,563,932)	(6,068,731)

Reconciliation of movements in shareholders' funds

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Loss for the financial year	(7,059,564)	(18,306,319)	(3,495,201)	(11,751,637)
New share capital subscribed	-	100,000	-	100,000
New share premium subscribed	-	9,757,890	-	9,757,890
Net addition to shareholders' funds	(7,059,564)	(8,448,429)	(3,495,201)	(1,893,747)
Opening shareholders' funds	(3,921,878)	4,526,551	2,831,269	4,725,016
Closing shareholders' funds	(10,981,442)	(3,921,878)	(663,932)	2,831,269

Notes to financial statements (continued)

18 Consolidated cash flow statement - supporting analyses

a) Reconciliation of operating loss to net cash outflow from operating activities

	1994 £	1993 £
Operating loss	(3,640,138)	(16,324,713)
Depreciation charges	972,261	566,589
Unrealised loss on exchange	1,442,518	13,453,371
Increase in stock	(133,870)	(97,611)
Increase in debtors	(39,100)	(1,197,270)
Increase/(decrease) in creditors (excluding intercompany loans, bank loans and overdrafts, finance leases and debentures and deposit based memberships)	926,953	(79,069)
Net cash outflow from operating activities	(471,376)	(3,678,703)

b) Analysis of changes in cash and cash equivalents during the year

	1994 £	1993 £
Balance at beginning of year	3,346,761	1,425,908
Net cash inflow	2,444,408	1,920,853
Balance at end of year	5,791,169	3,346,761

c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Cash at bank and in hand £	Bank overdraft £	Net £
Balance at beginning of year	3,999,169	(652,408)	3,346,761
Net cash inflow	1,878,021	566,387	2,444,408
Balance at end of year	5,877,190	(86,021)	5,791,169

Notes to financial statements (continued)

18 Consolidated cash flow statement - supporting analyses (continued)

(i) Analysis of changes in financing during the year

	1994 £	1993 £
Intercompany loans		
Balance at beginning of year	8,142,361	11,418,030
New loans	7,843,000	6,052,703
Loans converted into share capital	-	(9,857,890)
Effect of foreign exchange rate changes	131,840	529,518
Balance at end of year	16,117,201	8,142,361
Bank loans		
Balance at beginning of year	51,593,134	24,984,359
New loans	5,000,000	13,157,333
Repayment of loans	(9,397,211)	-
Effect of foreign exchange rate changes	1,416,910	13,451,442
Balance at end of year	48,612,833	51,593,134
Finance leases		
Balance at beginning of year	213,414	83,524
New finance lease obligations	191,049	188,341
Repayment of lease obligations	(73,599)	(58,451)
Balance at end of year	330,864	213,414
Debentures and deposit based memberships		
Balance at beginning of year	-	-
Debentures and deposit based memberships received	6,801,372	-
Expenses of issuing debentures and deposit based memberships deferred	(568,313)	-
Balance at end of year	6,233,059	-

19 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were:

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Contracted for but not provided for	133,183	1,041,925	133,183	1,041,925
Authorised but not contracted for	-	15,500	-	15,500
	133,183	1,057,425	133,183	1,057,425

Notes to financial statements (continued)

19 Guarantees and other financial commitments (continued)

b) Lease commitments

The group has entered into non-cancellable leases in respect of property, plant and equipment, the payments for which extend over a period of up to 7 years. The total rental for the period was £98,558 (1993 - £134,266).

The minimum annual rentals under the foregoing leases are as follows:

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Operating leases which expire				
- within 1 year	44,121	34,926	44,121	34,926
- within 2-5 years	30,089	68,549	4,388	68,549
- after 5 years	6,003	6,801	6,003	6,801
	<u>80,213</u>	<u>110,276</u>	<u>54,512</u>	<u>110,276</u>

c) Pension arrangements

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the parent company, being invested by independent fund managers.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the parent company. The contributions are determined by a qualified actuary on the basis of valuations using the attained age method.

The most recent valuation was at 1 January 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8% per annum, that salary increases would average 6% per annum and that present and future pensions would increase at the rate of 5.5% per annum.

The pension charge for the period was £80,000 (1993 - £78,400). This included a credit of £8,000 (1993 - £9,100) in respect of the amortisation of experience surpluses that are being recognised over 10 years, the average remaining service lives of employees.

The most recent actuarial valuation showed that the market value of the scheme's assets was £578,072 and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees were 17.9% and 9.3% respectively in 1994 and have been established at 17.4% and 9.3% for 1995.

Notes to financial statements (continued)

20 Ultimate parent company

The ultimate parent company is Nitto Sogo Co., Limited, a company incorporated in Japan.

The smallest and largest group in which the results of Nitto World Co., Limited are also consolidated, is that headed by Nitto Sogo Co., Limited. The consolidated accounts of this group are not available to the public.